

**IN THE MISSOURI DEPARTMENT OF INSURANCE,
FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION**

**In Re: FREEDOM LIFE INSURANCE)
 COMPANY OF AMERICA)
 SERFF TRACKING NUMBER) Case No. 140909652C
 USHG-129710959)**

ORDER DISAPPROVING FORM FILING

Upon review and consideration of the filing of Freedom Life Insurance Company of America, SERFF Tracking Number USHG-129710959, specifically Form GASDCYD-2011-IP-MO-FLIC, the Deputy Director DISAPPROVES said form for the reasons stated below.

FINDINGS OF FACT

1. John M. Huff is the Director of the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri ("Director" of the "Department").
2. Freedom Life Insurance Company of America ("Freedom Life"), NAIC Number 62324, is a foreign life and health insurance company organized pursuant to the laws of the state of Texas and transacting insurance business in the state of Missouri pursuant to a Certificate of Authority issued by the Director.
3. Pursuant to §376.777,¹ insurance companies licensed to transact business in this state may not deliver or issue for delivery in this state a policy of accident or health insurance unless the form has been approved.
4. The Division of Market Regulation (the "Division") is designated pursuant to section 374.075 to review the forms that are filed by insurance companies.
5. Freedom Life filed a policy form with the Director via the System for Electronic Rate and Form Filing ("SERFF") on September 8, 2014. The SERFF Tracking Number is USHG-129710959 ("Filing").
6. The Filing contains form GASDCYD-2011-IP-MO-FLIC, identified as an Individual Specified Disease Insurance Coverage policy ("Policy").
7. Freedom Life filed the Policy within SERFF as an Individual Health-Specified Disease-Limited Benefit policy.

¹All statutory citations are to RSMo (Supp. 2013).

8. On page 20 of the Policy under the section titled When Coverage Begins and Ends and the subsection titled Termination of an Insured by the Company Not Subject to the Right of Conversion, the form states:

As long as this **Policy** is in force for **You**, the coverage of **Your** child who is an **Insured** will not end if he or she is dependent upon **You** for support and maintenance and incapable of self-support because of a mental handicap or physical disability. Such dependent **Insured's** coverage under this **Policy** will continue regardless of the dependent **Insured's** age, as long as **Renewal Premium** is timely and properly paid for **You** and the dependent **Insured** and such dependent **Insured** remains dependent upon **You** and incapable of self-support because of such mental handicap or physical disability. Proof of such handicap or disability must be furnished to **Us** within thirty-one (31) days prior to the dependent **Insured** reaching the limiting age, and thereafter upon **Our** request, but not more frequently than annually after the two (2) year period following the attainment of the limiting age.

(Emphasis in original.)

9. On page 19 of the Policy under the section titled When Coverage Begins and Ends and the subsection titled Eligibility and Additions, the form states:

Your Spouse, **Your** unmarried, dependent children who are under the age of nineteen (19) (twenty-four (24) if a **Full-Time Student**; and grandchildren who are considered **Your** dependents for federal income tax purposes and who are under age nineteen (19) (twenty-four (24) if a **Full-Time Student**; any children which an **Insured** is required to insure under a medical support order; any child whom **You**, or **Your Spouse** (if listed as an **Other Insured** on the **Policy Schedule**), intends to adopt and has become a party to a suit for that purpose; and any child who is in the custody of an **Insured** under a temporary court order that grants the **Insured** conservatorship of the child, are eligible for this coverage. Any eligible dependent (other than a newborn or adoptee) will be added to this **Policy** when **We** approve the written application for such coverage, and accept payment of any necessary premium.

(Emphasis in original.)

10. On page 21 of the Policy under the section titled When Coverage Begins and Ends and the subsection titled Continuation of Coverage and Policy of Conversion, the form states:

A **Policy Of Conversion Coverage**, whereby the coverage then afforded by this **Policy** for an applicable **Insured** will continue without a requirement of any additional evidence of the insurability of such **Insured**, is available only:

1. for **Your Spouse** who is covered under this **Policy**, if his or her coverage ceases due to divorce, annulment or court approved separation; or
2. for **Your** unmarried child(ren) who is covered under this **Policy**, if his or her coverage ceases due to his or her reaching the limiting age of nineteen (19) (twenty-four (24) if enrolled as a **Full-Time Student**).

In order to be eligible for a **Policy Of Conversion Coverage**, a written election of continuation of coverage via conversion must be made by the applicable **Insured**, on a form furnished by Us, and the first premium must be paid, in advance, to Us on or before the date on which the applicable coverage under this **Policy** for such **Insured** would otherwise terminate. The amount of first premium required from the effective date through the end of the first renewal period of the **Policy Of Conversion Coverage** shall not be more than **Our** full Individual premium rate then applicable for the applicable **Insured** under the **Policy** with the same mode of payment. Applicable **Insureds** shall not be required to pay the **Renewal Premium** for a **Policy Of Conversion Coverage** less often than monthly.

(Emphasis added.)

11. On page 14 of the Policy under the section titled Definitions, Freedom defines Policy of Conversion Coverage as:

[T]he documents prepared by Us in accordance with the provisions of Section III.D. CONTINUATION OF COVERAGE AND **POLICY OF CONVERSION**, which on their effective date will replace this **Policy** as the contract of coverage between the applicable **Insured** and the **Company**, consisting of (i) an endorsement removing each applicable **Insured** from this **Policy** and (ii) a new **Policy** of coverage for each applicable **Insured** with the same applicable provisions as this **Policy**, including any riders or amendments attached hereto, but bearing a new **Policy** number.

(Emphasis added.)

12. On pages 40 and 41 of the Policy under the section titled Uniform Provisions and the subsection titled Entire Contract-Changes, the form states:

The entire contract between **You** and the **Company** consists of the **Policy**, including **Your** application, which is attached hereto, and any amendments, riders, or endorsements attached to this **Policy**. All statements made by **You** will, in the absence of fraud, be deemed representations and not warranties. No statement made by an applicant for insurance will be used to contest the insurance or reduce the **Specified Disease Benefits** unless contained in a written application, which is signed by the applicant.

No change in the **Policy** will be valid unless it is:

1. noted on or attached to the **Policy**;
2. signed by one of **Our** officers; and
3. delivered to the **Primary Insured**, as shown on the **Policy Schedule**.

CONCLUSIONS OF LAW

13. The Director shall approve only those policy forms that are in compliance with Missouri insurance laws, and "which contain such words, phraseology, conditions, and provisions which are specific, certain and unambiguous and reasonably adequate to meet needed requirements for the protection of those insured," pursuant to §376.777.
14. The Director may disapprove a form filed with the Department, and in doing so must state the reasons for the disapproval in writing, pursuant to §376.777.

Freedom Life's Filing Does Not Comply With Section 376.776

15. Section 376.776 states:

1. This section applies to the hospital and medical expense provisions of an accident or sickness insurance policy.
2. If a policy provides that coverage of a dependent child terminates upon attainment of the limiting age for dependent children specified in the policy, such policy so long as it remains in force shall be deemed to provide that attainment of such limiting age does not operate to terminate the hospital and medical coverage of such child while the child is and continues to be both incapable of self-sustaining employment by reason of mental or physical handicap and chiefly dependent upon the policyholder for support and maintenance. *Proof of such incapacity and dependency must be furnished to the insurer by the policyholder at least thirty-one days after the child's attainment of the limiting*

age. The insurer may require at reasonable intervals during the two years following the child's attainment of the limiting age subsequent proof of the child's disability and dependency. After such two-year period, the insurer may require subsequent proof not more than once each year.

3. *If a policy provides that coverage of a dependent child terminates upon attainment of the limiting age for dependent children specified in the policy, such policy, so long as it remains in force until the dependent child attains the limiting age, shall remain in force at the option of the policyholder.* The policyholder's election for continued coverage under this section shall be furnished by the policyholder to the insurer within thirty-one days after the child's attainment of the limiting age. As used in this subsection, a dependent child is a person who:

- (1) Is a resident of this state;
- (2) Is unmarried and no more than twenty-five years of age; and
- (3) Not provided coverage as a named subscriber, insured, enrollee, or covered person under any group or individual health benefit plan, or entitled to benefits under Title XVIII of the Social Security Act, P.L. 89-97, 42 U.S.C. Section 1395, et seq.

4. This section applies only to policies delivered or issued for delivery in this state more than one hundred twenty days after October 13, 1967.

(Emphasis added.)

- 16. Freedom Life's Policy is not compliant with Missouri insurance laws. Under the subsection titled Termination of an Insured by the Company Not Subject to Right of Conversion, the policy provides, with respect to children over a limiting age with a mental or physical handicap that makes them dependent upon the certificate holder for support, proof of handicap must be submitted to Freedom Life within 31 days *prior* to the child reaching the limiting age. However, pursuant to §376.776.2, proof of handicap must be provided at least 31 days *after* the child reaches the limiting age. Because Freedom Life's Policy requires the proof to be provided sooner than §376.776.2 allows, the provision does not comply with the laws of this state as required by §376.777.
- 17. Freedom Life's Policy is not compliant with Missouri insurance laws. Under the subsection titled Eligibility and Additions, the Policy provides coverage for dependent children until a limiting age (nineteen or until age twenty-four if the dependent is enrolled as a full-time student). Under the subsection titled Continuation of Coverage and Policy of Conversion, the Policy provides that a conversion policy is available to such dependents at the option of an

applicable insured upon such a limiting age. Under the section titled Definitions, the Policy defines a "Policy of Conversion Coverage" to include an endorsement removing the dependent from the policy as well as a new policy of coverage for the former dependent. Section 376.776.3 requires the company to continue coverage, "the policy shall remain in force," for such a dependent beyond a limiting age at the option of the policyholder. This continuation of coverage may continue until the child no longer meets the statutory definition of dependent. However, rather than keeping the policy in force for dependent coverage at the policyholder's option, the Policy provides for a separate conversion policy for the dependent who has reached the limiting age. This is not compliant with §376.776.3. As such, the Policy does not comply with the laws of this state as required by §376.777.

**Freedom Life's Filing Does Not Comply With All
Provisions Required in a Policy Under Section 376.777**

18. Section 376.777 provides in relevant part:

1. ***Required provisions.*** Except as provided in subsection 3 of this section ***each such policy delivered or issued for delivery to any person in this state shall contain the provisions specified in this subsection in the words in which the same appear in this section;*** provided, however, that the insurer may, at its option, substitute for one or more of such provisions corresponding provisions of different wording approved by the director of the department of insurance, financial institutions and professional registration which are in each instance not less favorable in any respect to the insured or the beneficiary....

(1) ***A provision*** as follows: "***ENTIRE CONTRACT; CHANGES:***

This policy, including the endorsements and the attached papers, if any, constitutes the entire contract of insurance. ***No change in this policy shall be valid until approved by an executive officer of the insurer and unless such approval be endorsed hereon or attached hereto.*** No agent has authority to change this policy or to waive any of its provisions".

(Emphasis added.)

19. Freedom Life's Policy is not compliant with Missouri insurance laws. Under the subsection titled Entire Contract - Changes, the Policy provides that "No change in the Policy will be valid unless it is: 1. noted on or attached to the Policy; 2. signed by one of Our officers; and 3. delivered to the Primary Insured[.]" Section 376.777.1(1) requires that "[n]o change in this policy shall be valid until approved by an executive officer of the insurer and unless

such approval be endorsed hereon or attached hereto;" it does not require any changes made to the policy to be delivered to the insured before such change becomes valid. The Policy provision does not use the same words as §376.777.1(1), and the provisions may be less favorable to the insured in that the Policy adds an additional condition for changes to the policy to be valid. As such, the Policy does not comply with the laws of this state as required by §376.777.

20. After review and consideration of the policy form included in Freedom Life's Filing, the company has failed to demonstrate its compliance with Missouri law as enumerated herein.
21. While there may be additional reasons as to why this policy form does not comply with Missouri's insurance laws, the reasons stated herein are sufficient to disapprove the form.
22. Each reason stated herein for disapproval of policy form is a separate and sufficient cause to disapprove such form.
23. Freedom Life's Policy does not comply with Missouri law. As such, said form is not in the public interest.
24. This Order is in the public interest.

IT IS THEREFORE ORDERED that Form GASDCYD-2011-IP-MO-FLIC is hereby **DISAPPROVED**. Freedom Life Insurance Company of America is hereby prohibited from delivering or issuing for delivery any Policy of group health insurance utilizing said form.

SO ORDERED, SIGNED AND OFFICIAL SEAL AFFIXED THIS 24th **day**
of October, 2014.




JAMES R. MCADAMS
DEPUTY DIRECTOR

NOTICE

TO: Freedom Life Insurance Company of America and any unnamed persons aggrieved by this Order:

You may request a hearing on the disapproval of this form. You may do so by filing a pleading with the Director of the Department of Insurance, Financial Institutions and Professional Registration, P.O. Box 690, Jefferson City, MO 65102, within 30 days after the mailing of this notice pursuant to 20 CSR 800-1.030.

CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of October, 2014, a copy of the foregoing Order and Notice was

Served via certified mail addressed to:

Benjamin Cutler
President
Freedom Life Insurance Company of America
3100 Burnett Plaza
801 Cherry Street, Unit 33
Fort Worth, TX 76102

Martha Guevara
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